



THE TREASURY
Kaitohutohu Kaupapa Rawa

Gateway Review Report

For Dunedin Hospital Redevelopment

Review 1 Business Justification and Options – Indicative Business Case

June 2017

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Gateway Review Report

Review 1: Business Justification and Options – Indicative Business Case

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This report has been prepared by the Gateway Review Team in accordance with the New Zealand Government's Gateway Review Process (Gateway) as set out in the six

handbooks *Gateway Review Process Best Practice – Gateway to Success*, published by the New Zealand Government. This report summarises the Team's findings and recommendations, informed by, but not limited to, an assessment against the criteria documented in the handbooks.

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This report contains headline findings and recommendations only, and is not intended to be interpreted in isolation from the daily discussions and briefings to the SRO during this Review.

The provision of free and frank advice is key to the effective operation of the Gateway methodology. Release of such advice could prejudice the Gateway process as such advice might not be provided in future. To ensure that all relevant matters are considered please consult the Gateway Unit in Treasury before any public release of a Gateway report under the Official Information Act.

Direct any enquiries regarding the Gateway Review Process to the Gateway Unit,
gatewayunit@treasury.govt.nz.

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1 Review Conclusion

1.1 Delivery Confidence Assessment

Delivery Confidence Assessment	AMBER
The Gateway Review Team finds that the Project has been assessed as having a highly feasible likelihood of successful delivery. Significant issues do exist requiring attention as identified through this report. These appear resolvable at this stage and if addressed promptly, should not impact delivery or benefits realisation.	

The Delivery Confidence assessment colour status (RAG, Red/Amber/Green) uses the definitions below:

Colour	Criteria Description
	Successful delivery to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not impact delivery or benefits realisation.
	Successful delivery is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to address these, and whether resolution is feasible.
	Successful delivery appears to be unachievable. There are major issues which at this stage do not appear to be manageable or resolvable. The project may need re-baselining and/or overall viability re-assessed.

1.2 Recommendations

The Gateway Review Team makes the recommendations in the table below, which are prioritised using the following definitions.

- ▶ **Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the project should take action immediately.
- ▶ **Essential (Do By)** – To increase the likelihood of a successful outcome the project should take action in the near future.

- **Consider (Good Practice)** – The project should benefit from the uptake of this recommendation.

Ref.	Recommendation	Priority
R1.	Undertake the Strategic Model of Care for Southern DHB with urgency to inform a clinical services profile for Dunedin Hospital. Critical	Commence Now
R2.	Ensure a process is developed, documented and endorsed that details how the Strategic Model of Care and the clinical services profile will be developed and utilised to inform the requirement for the final design of the Dunedin Hospital.	Do By: 1/8/17
R3.	Ensure that the final version of the Indicative Business Case incorporates central agency clinic feedback and recommendations of Gateway Review 1, and develop a feedback document showing consideration of the recommendations, if accepted and identifies any consequent changes made in the Indicative Business Case.	Do Now
R4.	Document in the Indicative Business Case any items that will be deferred into the Detailed Business Case Phase and explain the rationale.	Do Now
R5.	Implement a structured team building exercise to ensure that the next stage of the Project and the delivery of the Detailed Business Case occur in a more collaborative manner consistent with a partnership approach.	Do By 1/10/17
R6.	Document the assumptions used in the Finance Case and clarify any items/services that have been excluded.	Do Now
R7.	Consideration should be given to the risk of “locking in” a budget at this IBC stage and ensure that the Lower bound level is low enough to ensure that proposed efficiencies that could be found through the Strategic Model Of Care process will subsequently translate into a lower GFA are factored within any figure.	Do Now
R8.	Investigate, document and approve a hospital facilities and infrastructure status document which addresses the condition, risk and mitigation costs relating to the existing hospital and the timeframe for replacement.	Do Now
R9.	Develop a Stakeholder Engagement and Communications Plan to a standard commensurate with a Project of this complexity, scale and risk.	Do By 1/11/17
R10.	Recommendation 10: Review the Investment Logic Map and update as necessary to ensure it reflects the current Project.	Do Now
R11.	Develop and implement a comprehensive Risk Management Plan consistent with a project of this scale, complexity and risk.	Do By 1/11/17
R12.	Review the completeness of the Risk Register to ensure it captures the current risks and implement a process for updating it in accordance with the Risk Management Plan.	Do By 1/9/17
R13.	Develop a Project Plan that encompasses both the deliverables for the Detailed Business Case and the ongoing management of the Project.	Do by 1/10/1
R14.	Review the Project Management functions on the project to ensure adequate project management resources for all parties.	Do Now

R15.	Review the Terms of Reference for the SPG, document outcomes and seek endorsement from both the SPG and Southern DHB and ultimately the Ministers.	Do By 1/8/17
R16.	Review the Project Resource Plan, to establish adequate delivery expertise and consider the need for a fulltime Project Director.	Do By 1/9/17
R17.	Southern DHB to identify the quantum of change required as identified in the Strategic Model of Care and develop a Change Management Plan identifying the resources, processes and duration to implement these changes.	Do By: 1/2/18

Section 4 details the Gateway Review Team's findings in support of these recommendations.

2 Background

2.1 Review Approach

Review 1: Business Justification & Options - Indicative Business Case focuses on the robustness of the project's indicative business case to provide assurance to the Ministry of Health, that the proposed approach to meeting the business requirement has been adequately assessed, appropriate options have been explored, and it is likely to achieve value for money.

In order to form an opinion in relation to this Review, the Gateway Review Team has:

- ▶ Applied the Gateway Review Process.
- ▶ Interviewed the stakeholders listed in Appendix B.
- ▶ Reviewed the documentation listed in Appendix C.

More detailed information regarding the nature of this Review and its context within the New Zealand Government Gateway Review Process is at Appendix A.

2.2 Project Description

This Gateway Review considers an Indicative Business Case that has been prepared and seeks formal approval to proceed to the Detailed Business Case stage for the rebuild of Dunedin Hospital.

The Indicative Business Case addresses the condition of existing hospital infrastructure in Dunedin, namely the Clinical Services Block (CSB) that has critically reached the end of its serviceable life and the Ward Block, that although structurally solid, has significant maintenance issues (e.g. asbestos) and impedes the delivery of efficient and effective services. While facility design is critical for enabling modern models of care, there is a close interplay between these facilities and wider system changes and investments in service delivery in primary and community care.

The Indicative Business Case for hospital redevelopment is therefore premised on these wider system changes that combined will result in system wide benefits such as (inter alia), reduced hospital admissions and reduced average length of stay. The Crown has implemented a joint Southern Partnership Group (SPG) to oversee the planning, design and construction of the hospital development. Likely, the hospital will be built off the Southern DHB's balance sheet and will be transferred once complete. There will need to be a funding bid to find the capital to finance the project.

In the meantime, the Southern DHB is consulting on a major organisation restructuring to re-orient its management to the strategic challenges identified by it.

The Southern DHB has identified a clinical service change programme with dedicated executive and clinical leadership positioned to drive the change through. There are a number of initiatives planned and underway including (inter alia):

- The development of a primary and community health care strategy
- A Hospital Admission Reduction Programme
- Community-Based Wrap Around solution for older people
- A risk stratification approach to the management of patients with long-term conditions
- Health Pathways development
- Telehealth implementation

The Review Team finds that many of these initiatives are not progressed to the extent expected at an Interim Business Case stage.

The Southern DHB has established a Programme Management Office to oversee the hospital redevelopment from their perspective and, critically, the clinical services change programme.

2.2.2 Driving Force for the Project

Recently it has been identified that a high percentage of the hospital campus requires a rebuild due to issues including:

- in a condition which is unsuitable to deliver modern health care services
- at risk of facilities and infrastructure failure
- building unable to be re-lived

2.2.4 Current Position Regarding Gateway Reviews

This is the second Gateway Review for the Project. A Gate 0 Gateway Review was conducted in June 2016.

2.3 Acknowledgements

The Gateway Review Team would like to thank all those interviewed for their support and openness, which contributed to the team's understanding of the project and the outcome of this Review. In particular Emily Leopold and Janie Ellis for their excellent logistical and administrative support.

3 Previous Review

The Review Team considers that the findings and recommendations of the previous Gateway Review conducted by the Project have been either adequately addressed, are underway or, where necessary, are the subject of new findings and recommendations in this report.

4 Findings and Recommendations

4.1 Policy and Business Context

Introduction

The Review Team note that the Indicative Business Case process undertaken does not comply with some of the Better Business Case guidelines in critical areas but this has apparently been agreed with central agencies. It has been agreed that these items will be fully addressed in the Detailed Business Case phase. The Indicative Business Case should clarify the items that are more fully being addressed in the Detailed Business Case phase and the process to be used for these items.

The Review Team has used the word Project in this document and this should be read as

- Dunedin Hospital Redevelopment project and all activities associated with its delivery including the ongoing occupation of the existing hospital, the development of Business Case(s), the requirements to maintain existing clinical activities, the change relating to the development and implementation of the Strategic Model of Care
- Applying to the activities and deliverables of all project participants, namely MoH, SPG, Southern DHB and consultants

Notwithstanding the above there are actions that will necessarily be undertaken by specific parties and the outcomes need to be monitored by the Project. The actions are referenced throughout this Gateway Review report and particularly within the recommended Project Plan.

Health Services Planning and Models of Care

Interviewees advise that the Southern DHB did not have;

- Clinical Services Plan
- Strategic Model of Care
- Clinical Model of Care

developed to a standard expected at the commencement of the Indicative Business Case process. These documents would normally be used to inform the early planning stages of a hospital development. This gap was partially managed by project consultants working with the Southern DHB staff.

The Review Team has been provided with a number of documents detailing the current service activity and projected activity to 2033 based on population growth and ageing profiles. These findings were then subject to specific scenarios for Strategic Model of Care

(MOC) changes to develop a percentages change to the initial projections. These documents do not detail a Clinical Services Profile (for items including beds, operating rooms, consulting spaces) for the new Dunedin Hospital.

The Review Team was also provided with a “*Dunedin Hospital Redevelopment Model of Care Summaries*” for the project that referenced a Strategic Model of Care for the whole of Southern DHB which included a number of initiatives to shift some services to the community and primary care arena with an inference that this reduces the need to accommodate these clinical services in the new hospital. Interviewees indicated that the development of the Strategic MOC is to be undertaken concurrently with the Detailed Business Case.

The Review Team understands that at this stage the facility MOC is conservative to allow for the Strategic MOC not being implemented. If the Strategic MOC proposes the shift of a significant number of services from the hospital there will need to be further review of the hospital MOC and the translation of the impact into Schedules of Area and revised cost estimates for the new hospital.

The Schedule of Areas used to date has been based upon the Australasian Health Facility Guidelines (AHFG) and benchmarked with significant projects in New Zealand and Australia. The lack of a clearly delineated Clinical Services Profile eg numbers of multi-day beds, same-day beds, operating and procedure rooms, has resulted in the AHFG being applied without rigorous interrogation of ratios for areas including the number of same day surgical beds to be provided. This has resulted in a proposed increase from 34 day beds in the current hospital to 51. Applying an efficiency lens, Southern DHB would expect the delivery of between 150 to 300 day procedures to be performed each day. The interviewees have been unable to provide data to support this counterintuitive increase.

Recommendation 1: Undertake the Strategic Model of Care for Southern DHB with urgency to inform a clinical services profile for Dunedin Hospital. Critical: Commence Now

Recommendation 2: Ensure a process is developed, documented and endorsed that details how the Strategic Model of Care and the clinical services profile will be developed and utilised to inform the requirement for the final design of the Dunedin Hospital. Do By: 1/8/17

The Review Team considers that the Indicative Business Case would benefit from clearly articulated benchmarking of the Schedule of Areas in relation to contemporary clinical throughputs and facility requirements throughout Australasia. There is a risk that the Indicative Business Case will “lock in” expectations and any alteration will be seen as a reduction of services by the community/stakeholders.

4.2 Business Case and Stakeholders

Indicative Business Case Completeness

The Review Team have a copy of the Indicative Business Case released 5th May 2017. Interviewees advise that this document has been further updated since that time and a Business Case clinic was conducted with central agencies. Significant feedback was given by central agencies and the Review Team were given a copy of that feedback. The recommendations in this document were generally supported by the Review Team.

Whilst the scope of the rebuild has recently expanded interviewees advised that the problem definition is the same. This means that:

- Buildings need replacement
- Southern DHB uses an out of date MOC
- There is a backward approach to primary and community care
- Service adjacencies (location) are inefficient
- Ambulatory care is in multiple locations across the current hospital site.

The Review Team consider that the reviewed Indicative Business Case dated 5 May 2017, does not explicitly define the current problem and the service profile to be addressed by the new hospital. The document is:

- Long, unclear with key messages lost in the narrative
- Incomplete and did not contain:
 - Financials; The Review Team did subsequently receive the Financial Case as a separate but incomplete document however the Financial Case needs strengthening in relation to:
 - The Southern DHB's strategies for addressing their ongoing operation deficit and ongoing investment needs
 - Clarity on what the Southern DHB can afford and any residual impact on Southern DHB
 - The proposed funding model of the project including any call on Crown funding
 - The Financial Modelling is not explicit about the operational costs of the new hospital campus
 - Strategic Model of Care,

- A clear options analysis
- Detail regarding the risks and ongoing costs for repairing the current hospital and critical capital works programme until commissioning of the new build
- A Management Case of the standard expected
- Risk Management Plan
- Market sensing
- Societal benefits

Indicative Business Case Completion Process

The timeline for completion of the Indicative Business Case was confirmed by interviewees. Sapere will provide the final draft to SPG on 6th June. There will be a teleconference on the 13th June to provide feedback. It is then expected that there will be final sign off by the SPG on 27th June 2017 before the document is forwarded to the Capital Investment Committee on 16th July 2017.

It is understood that the central agency feedback has been reviewed by the SRO and other ministry staff and has been forwarded to Sapere to address in the latest Indicative Business Case revision. Feedback from within the Southern DHB was also sought and is now being considered for inclusion in the Business Case. Some of those interviewed commented that the timeframe for feedback was too short for them to be able to contribute in any meaningful way. Others noted that whilst they had contributed feedback they have not received acknowledgement of their contribution and are unclear how they will receive feedback on their inputs

The findings of the current Gateway Review should also be considered as a part of the Indicative Business Case completion process.

It has been difficult to establish the extent of distribution of the draft Indicative Business Case iterations. It was surprising to note that not all members of SPG received copies of the document.

There is an expectation from central agencies that all Indicative Business Case requirements are met by the submission of the Indicative Business Case to decision makers. Any intentions to defer items into the Detailed Business Case phase should be documented and reasons explained.

Recommendation 3: Ensure that the final version of the Indicative Business Case incorporates central agency clinic feedback and recommendations of Gateway Review 1, and develop a feedback document showing consideration of the recommendations, if accepted and identifies any consequent changes made in the Indicative Business Case. Do Now

Recommendation 4: Document in the Indicative Business Case any items that will be deferred into the Detailed Business Case Phase and explain the rationale. Do Now

Project Leadership/Team Building.

Interviewees advised that governance of the project including MOH, Southern DHB and SPG were not performing and interacting as a team at this stage. Effective teams have characteristics including:

- Trust which enables freedom to express feelings and ideas
- Everyone working to the same goals
- Respect
- Openness
- Effective communication including active listening
- Collaboration and willingness to share information

The Review Team consider that the Project would benefit from a structured cross-organisational team building exercise to ensure that the next stage of the Project and the delivery of the Detailed Business Case occurs in a more collaborative manner consistent with a partnership approach. A suitably skilled facilitator may assist this exercise.

Recommendation 5: Implement a structured team building exercise to ensure that the next stage of the Project and the delivery of the Detailed Business Case occur in a more collaborative manner consistent with a partnership approach. Do By 1/10/17

Financial Case

The Review Team notes the scale of the project has undergone significant expansion over the past year. The initial project was to replace the Clinical Services Building and redevelop the ward block in the current location. Upon further investigation it became apparent that this was not a viable option and a total rebuild on another site was required with an anticipated Project Cost of \$1.2 to 1.5 billion. The preferred option/site selection will occur in the Detailed Business Case phase.

The Review Team’s findings have been made without sighting the Ryder Levitt Bucknall cost estimate.

The Review Team notes the Financial Case is unclear as to what is in and out of scope with regards to a number of elements of the project, including :

- the provision of car parking for the hospital
- the ICT system to support the hospital
- provision of “hubs” for services relocated from the hospital site.
- consideration of the Wakari site
- the proposal for the existing hospital site post commissioning

The lack of clarity on these matters has the potential to impact on other aspects of the Financial Case and the overall project and its cost.

Recommendation 6: Document the assumptions used in the Finance Case and clarify any items/services that have been excluded. **Do Now**

Recommendation 7: Consideration should be given to the risk of “locking in” a budget at this IBC stage and ensure that the Lower bound level is low enough to ensure that proposed efficiencies that could be found through the Strategic Model Of Care process will subsequently translate into a lower GFA are factored within any figure.

Do Now

Business Continuity

As the business case has changed from the original Base Case to a new build the construction programme has significantly extended beyond the original time frame. However interviewees confirmed that the consequential potential impacts to hospital business continuity seems to have been inadequately addressed. The hospital’s operational risk will increase with time to completion of the new building project

During the course of the interview the following hospital risks were discussed:

- Significant clinical risk from failure of lifts in the ward block
- Confusion over Energy Centre ownership status and obligations to outside parties
- Failure of building services and the presence of asbestos making recovery difficult

- Leaking roof's
- Fire system does not comply with the Code and significant upgrade could be required
- The presence of asbestos within clinical areas

Interviewees advised of several activities that address this. However, they were unable to provide a report that identifies, assesses and costs the mitigation of risks and how they are impacted by the planned Project completion dates.

A contingency plan needs to be developed and tested for all infrastructure risks including minimising the impacts of unknown asbestos contamination in clinical areas.

If required after evaluation, the Project would benefit from consideration of a fast track procurement option aligned with the hospital facilities and infrastructure risks.

Recommendation 8: Investigate, document and approve a hospital facilities and infrastructure status document which addresses the condition, risk and mitigation costs relating to the existing hospital and the timeframe for replacement. Do Now

Value for Money

Interviewees confirmed that all stakeholders were motivated to achieve a value for money solution particularly given the parlous financial status of the Southern DHB. Value for money is likely to be driven by:

- Capital Cost; The capital cost will have a direct impact on the financials of the Southern DHB and interviewees were cognisant of the need to produce solutions that minimise capital expenditure while ensuring the problems are addressed and benefits achieved
- Operations and Maintenance cost; The sizing of the hospital will have a direct impact on the ongoing operations and maintenance cost
- The size of the hospital will have a direct relationship to the staff costs and the ability to deliver health services.
- Service delivery model; has a direct impact on the degree and cost of tertiary/primary level care and a direct impact on patient outcomes

Stakeholder Engagement and Communications Plan

The limited release of key documents and information from the MoH project team to Southern DHB management and project team is and will continue to impact on the development of a robust Detailed Business Case

Successful development of the Detailed Business Case will require a collaborative team approach at all levels of the project

The message about the project budget and its release will need to be carefully managed to ensure any subsequent reduction resulting from change in scope during and post development of the Detailed Business Case is not interpreted as the new hospital delivering less health services to the Southern DHB community

The Review Team note stakeholder communications on the Project are limited to those being issued by the MoH and the Chair of the SPG. It is understood that the community see the Southern DHB as delivering the project.

The existing MOH communication plan (2015) needs to be updated and extended to cover the message to the community and the Southern DHB staff that helps them understand what the project is and how it is being delivered.

A Stakeholder Engagement and Communications Plan for a project of this scale, complexity and risk would commonly address issues including:

- Context of Plan
- Communications Environment / Structure
- Communications Objectives, Goals and Principles
- Communication Objectives and Goals
- Guiding Principles
- Communications and stakeholder engagement responsibilities
- Key Messages
- Stakeholders
- Communication Tools
- Issues Management
- Community Relations.....
- Enquiries and Complaints
- Media Relations
- Crisis Management

- Collateral and other Public Information
- Ministerial Correspondence
- Online Communications
- Internal Communications
- Resources
- Implementation
- Monitoring and Evaluation
- Stakeholder Database
- Reporting

Interviewees advised that there is a full time communications person associated with the project in Southern DHB.

Recommendation 9: Develop a Stakeholder Engagement and Communications Plan to a standard commensurate with a Project of this complexity, scale and risk. Do By 1/11/17

Benefits Realisation

Interviewees confirmed that the Investment Logic Map (ILM) attached to *the Strategic Assessment: Investment in infrastructure to support ongoing provision of hospital services in Dunedin* 19 July 2016 was the most recent ILM prepared for the Project. The Project has changed significantly since that time and it is expected that the Problems, Benefits and Strategic Response will also have changed. The Project would benefit from a review of the ILM and update as necessary to ensure it reflects the current Project.

The Review Team considers that the ILM process should be linked to the outputs of the Strategic Model of Care.

Recommendation 10: Review the Investment Logic Map and update as necessary to ensure it reflects the current Project. Do Now

4.3 Risk Management

Interviewees had a broad understanding of the risks to the Project, and were able to articulate a range of risks which highlight the complexity of this Project. Some of the risks (not evaluated for severity, priority or current status by the Review Team) identified by interviewees include:

- Tight Timeframes
- Land acquisition

- Unclear Governance
- Understanding Southern DHB's requirement to manage change
- Construction capacity in Dunedin/ New Zealand
- Scale of project; Larger than Southern DHB or MoH have managed.
- Complexity of Project mixed with political and local community agenda to go fast
- MoH does NOT have a documented project management philosophy
- interface of how Southern DHB does its business
- Assumptions of the clinical needs being made mean the Project may be designed and result in the wrong building for the needs of the population
- Incomplete Strategic Model of Care
- Unclear accountabilities
- Unknown elements regarding Public Private Partnerships .
- Adequacy of contingency.
- Long delivery time may be a problem re patient safety and business continuity for the existing hospital services
- Understanding of Energy Centre ownership and ability to terminate current contract arrangements.
- Cost and implications of asbestos and lifts
- Affordability: all options are unaffordable
- ICT currently excluded from the Indicative Business Case
- Bureaucratic process delaying the Project.
- The lack of a partnering team culture
- Asbestos
- Understating the size and scope of change
- Model of Care is behind where it needs to be
- Concurrent activities without an alignment mechanism
- Exclusion of key elements from the Project e.g. hub model, ICT, rural developments
- Service planning information and data
- Lack of strategic discussion between SPG and Southern DHB
- Business Continuity; A Project that is driven by a the unacceptable condition of facilities and infrastructure and need to rebuild
- Reliance on the capability of consultants
- The fixed SPG meeting schedule is driving the speed of the Project

The Review Team considers that this list should be reviewed against the current risk register(s) for the Project.

A Project of this scale, significance and inherent risk would normally have a comprehensive cross organisational risk management plan developed during or just after the business case. It is noted that a Risk Management Plan has been developed however it is considered preliminary at this stage. The risk management plan would normally include:

- Process to identify, assess, allocate, manage, regularly update and monitor current, anticipated risks and issues
- Process for escalation through governance structure
- Lists of risk and issues (eg risk register) noting the importance of cross organisation risk capture
- Identification of relevant personnel to manage and take responsibility for risk management
- Identification of the risk and its nature, the existing controls, the ranking of the risk, risk mitigation, risk treatment and management responsibility and notification
- Timeframes for the closure of individual risks
- The process for reviewing and updating currency and appropriate rating of individual risks and the broader Project risk profile.

Recommendation 11: Develop and implement a comprehensive Risk Management Plan consistent with a project of this scale, complexity and risk. Do By 1/11/17

Recommendation 12: Review the completeness of the Risk Register to ensure it captures the current risks and implement a process for updating it in accordance with the Risk Management Plan. Do By 1/9/17

4.4 Readiness for Next Phase

Detailed Business Case Preparation

Approval has been given by the Minister of Health to continue with the ongoing development critical to the Detailed Business Case. The current timeline for completion of the Detailed Business Case is 30th June 2018. Those people who met with the review team held various views on whether this time line could be achieved given the expanded scope of the project. There was a strong view expressed that any delay was high risk given the current state of the facilities and infrastructure, and the emerging concerns over the Southern DHB's ability to maintain all the services on site if delays in timelines occur.

A number of key items of work which should have been completed for the Indicative Business Case have been deferred until the Detailed Business Case phase. This includes but is not limited to the finalised Strategic Model of Care, the financial case and costing (e.g. Wakari option not costed, procurement options). The Southern DHB needs to move forward urgently with the Strategic Model of Care and Change Management/Service Improvement programme.

The MOH programme team is currently working to confirm the consultant teams for the development of the Detailed Business Case.

Significant concern was expressed to the review team that there was no coherent plan or strategy for the Detailed Business Case development phase. There is a strong desire, particularly from the Southern DHB team, to develop a “mud map” or detailed project plan which defines the steps to conclusion of the Detailed Business Case, the roles and responsibilities and the governance processes to be employed to achieve a high quality document for sign off by SPG.

The capability of individuals needs to be harnessed in a positive manner to reduce current duplication of effort and achieve value for money from the parties.

Lessons learned from the development of the Indicative Business Case should be carried forward into the next phase. One of these is the need for a detailed project plan and for clarifying roles and responsibilities at the outset. Formalised processes for effective project management which are well communicated and clearly understood are being sought. Current work streams operate in isolation from each other and the review team heard that the success of the next phase depended very heavily on closer integration of the various parties, regular meetings, documented agreements and open and transparent communication. More formalised user group meetings with agenda, pre-reading and directed activity were sought. It was expressed that users could contribute more effectively if provided with better challenge, more information and structure.

There is strong commitment to achieve the timeline. However it is apparent to the Review Team that achievement of this is dependent on a change in the way the parties work together. The approach needs to be more inclusive and respectful with greater transparency, improved communication and shared commitment to timeframes and outputs. Achievement of agreed timelines by consultants is critical.

Concern has been expressed that deferring decisions on site selection will impact on the planning necessary during the early phase of Detailed Business Case. There is also an urgent need to confirm the required resourcing and capability necessary for the Detailed Business Case development. Southern DHB has developed a resourcing plan but this has not been evident from other parties. The size and timeline of the project and the requirement to investigate opportunities for Public Private Partnerships (PPP) necessitates the provision of sufficient resource.

Interviewees advised that during the review week agreement was reached on the need for a workshop involving all parties to complete a comprehensive plan for the Detailed Business Case.

Project Plan

A project of this scale, complexity and risk would normally be managed within a Project Plan for the next phase of the Project that provides a blue print for all activities that are required. For successful delivery of the Project it is essential that the critical deliverables of all parties are included in one Project Plan.

A Project Plan for delivery of the Detailed Business Case should be developed that covers details including:

- All critical deliverables that are required for the Detailed Business Case including:
 - Land acquisition
 - Development of the Strategic Model of Care and Whole of region Planning work by Southern DHB
 - Change Management /Service Improvement
 - Refined Project estimates
 - Procurement planning
 - Management Case, Strategic and Economic Cases
- Change Management/Service Improvement Plan
- Programme/Schedule management
- Reporting Plan
- Probity Plan
- Stakeholder Engagement and Communications Strategy
- Document control plan
- Resource Management Plan
- Governance Plan
- Risk Management Plan
- Project Resource Plan

At this stage of the Project's evolution there are project management activities being conducted by the MoH, several consultants and the Southern DHB. Interviewees confirmed that this multi-agency project management function is confusing and leads to confusion regarding responsibilities and accountabilities. A review of the project management function should be undertaken to ensure that adequate resources, plans and controls exist for the next stage of the Project.

Recommendation 13: Develop a Project Plan that encompasses both the deliverables for the Detailed Business Case and the ongoing management of the Project. Do by 1/10/17

Recommendation 14: Review the Project Management functions on the project to ensure adequate project management resources for all parties. Do Now

Governance

Southern DHB has a unique DHB management structure. The previous Board was removed by the Ministers and a Commissioner was appointed in 2015. This role is supported by two Deputy Commissioners. They hold the governance responsibility for the Southern DHB. Over the last nine months a new CEO has been appointed.

The rebuild of the Dunedin Hospital is managed by the Southern Partnership Group (SPG) – independent experts appointed by the Ministers following a model used previously in rebuilds in Canterbury and West Coast DHB building projects. Their role has been set by the Ministers of Health and Finance to progress the facilities redevelopment of Dunedin Hospital and to oversee the interim works.

At the SPG level there are discussions about the use of the term partnership. There are divided views. Some of those interviewed seek a more formal partnering relationship Southern DHB/MOH/SPG with increased representative membership on SPG. Others support the current mandate and role and propose a revised title and Terms of Reference for the SPG.

Whilst the review team was assured that the decision making group for this project is the SPG, many also felt this was then over –ridden by the Ministry and that the project outcomes were being unduly influenced by Ministry officials and the Chair of the SPG.

There are varying levels of understanding of the current governance structure at all levels of this project. It is generally understood that SPG was established by the Ministers to function as an independent authority who would provide the Minister's with assurance that the planning and the decisions being made are robust There are regular meetings of the group which are attended by the Commissioner, Southern DHB staff, MOH, Treasury and the consultants.

Concern was expressed that:

- the SPG was not representative of the Southern DHB and were making decisions which affected the Southern DHB's strategic future without having any long term accountability or responsibility for the outcome of the decisions made.
- meetings were often virtual, time constrained and heavily influenced by a Ministry agenda.
- decisions appear to have been made outside the formal SPG meeting structure

Most of those interviewed struggled with the complex structure and the risks inherent at a number of levels from poorly aligned activities. For example, there are significant risks that the Southern DHB will develop the Model of Care in isolation from the construction arm of the project which is primarily being managed through a group of Consultants recruited and managed by the Ministry but reporting to SPG.

It appears that the absence of good project management structures, poorly developed relationships and a lack of clarity and transparency have resulted in poorly functioning and frustrated teams, duplication and delays and have been expressed as a lack of trust in individuals who hold responsibility for key project outcomes or associated Southern DHB activity.

A requirement for a Project Director who pulls together all the streams of work and aligns progress using solid methodology and integrating information in a single point to report to SPG and the Southern DHB/Ministry has been proposed.

Interviewees confirmed that there is not a:

- Uniform understanding of the Role of the SPG
- Agreed decision making procedures within the SPG

It is noted that the Terms of Reference for the SPG include Clause 20.1 *The Partnership Group will review the operation of these Terms of Reference at each decision point and report its findings, and any recommendations for change, to the Minister of Health.* The Review Team consider that at this critical point of Indicative Business Case approval the opportunity should be taken to Review, document, seek endorsement of both the SPG and Southern DHB and ultimately Ministers approval.

Recommendation 15: Review the Terms of Reference for the SPG, document outcomes and seek endorsement from both the SPG and Southern DHB and ultimately the Ministers. Do By 1/8/17

Delivery Capability

The project team will require additional project resource with project delivery capability. We understand work on the Detailed Business Case will commence soon and therefore adequate and capable resourcing must be an immediate focus.

Consideration needs to be given to adequately resourcing the change management and service improvement programme.

Recommendation 16: Review the Project Resource Plan, to establish adequate delivery expertise and consider the need for a fulltime Project Director. Do By 1/9/17

Procurement

The Indicative Business Case provides a more preliminary consideration of procurement options than would be normal under the Better Business Case Guidelines. Interviewees advised that a conscious decision had been made to do a fuller assessment within the Detailed Business Case phase particularly because more certainty regarding site selection is required to fully assess the PPP option.

Interviewees confirmed:

- Limited understanding of PPP
- MoH are aware of the significant challenge created by the size of the PPP task
- A negative sentiment to PPP
- Now is the time to research and gain a better understanding of the whole hospital PPP model

Change Management

The Review Team has been informed by interviewees that a number of changes to Models of Care (MOC) are to be implemented in the new hospital. Of particular note is the provision of services at primary care settings, the moving from a speciality to generalist medicine framework and telehealth for rural Southern DHB. These changes will significantly impact on the operations of the hospital in the how, when and where of clinical practice.

The Review Team heard some interviewees acknowledge the need for a Change Management process but were unable to identify when this would be addressed, if the resources were available to manage the process, who would be responsible for the process, namely the project team or the Southern DHB and if there was a leader or Champion for the process within the Southern DHB.

A RFP has been released by Southern DHB for a primary and community strategy and action plan.

Recommendation 17: Southern DHB to identify the quantum of change required as identified in the Strategic Model of Care and develop a Change Management Plan identifying the resources, processes and duration to implement these changes. Do By: 1/2/18

Site Selection

On the assumption that a new building is the preferred outcome a number of persons interviewed expressed concerns and issues including:

- Conversations about site selection not being undertaken
- Uncertainty as to who is managing the site selection process

- If time is of the essence then early site selection work should commence now
- Geotechnical consideration could influence the outcome of site selection, however preliminary work is not being undertaken
- CBD location will add car parking cost to the project
- The Wakari site has advantages including existing ownership, car parking space, potential use of existing infrastructure and disadvantages including inadequacy of public transport and winter access which are inadequately addressed in the Indicative Business Case. The Review Team has been advised that no costing has been done on this option

Project Resources

SPG has commissioned the use of a number of consultant teams to assist with the Project to date. The roles and outputs of each are unclear to many of those interviewed.

Linking streams of work to achieve effective results requires coordination and communication. There is considerable work occurring in isolation and frequently confidentiality is used as the reason to limit those who are working in interdependent streams from viewing work in progress.

Going forward good programme and project structure is required. Roles, responsibilities and deliverables must be clear and understood by all project participants and affected parties. This particularly relates to the Consultant's brief.

These issues are addressed elsewhere in the report.

6 Next Review

The next Gateway Review should be a Gate 2 Review; Delivery Strategy – Detailed Business Case. It should be held prior to completion of the Detailed Business Case, currently planned for mid-2018.

The Ministry of Health should contact the Gateway Unit at least 10 weeks before the next Gateway Review is needed, to request an assessment meeting at which the appropriate review type and dates will be confirmed. The Gateway Unit requires 8 weeks to arrange a Gateway Review following receipt of a signed confirmation from the SRO.

APPENDIX A – Review Purpose and Context

Overview of the Gateway Process

Gateway is a programme/project assurance process that involves short, intensive reviews at up to six critical stages in the lifecycle of a project and at intervals during a programme. Reviews are conducted by a team of reviewers not associated with the programme/project, and usually contain a mix of experts sourced from the public and private sectors.

Reviews are designed to:

- ▶ Assess a project against its specified objectives at a particular stage in its lifecycle
- ▶ Provide early identification of any areas that may require corrective action
- ▶ Increase confidence that the project is ready to progress successfully to the next stage.

Overview of Review 1 - Business Justification & Options – Indicative Business Case

This review occurs after an Indicative (Stage 1) Business Case has been prepared, but before it is submitted to Cabinet for approval. Ideally the review is held 2-3 weeks before cabinet submission, to allow time for any issues identified by the review to be addressed before the Indicative Business Case is finalised.

The review focuses on the robustness of the project's Indicative Business Case to provide assurance to the agency undertaking the project, through the nominated Senior Responsible Owner (SRO), that the proposed approach to meeting the business requirement has been adequately assessed, appropriate options have been explored, and it is likely to achieve value for money.

The Gateway Review Team is expected to:

- ▶ Check/Confirm that the Indicative (Stage 1) Business Case is robust – that in principle it meets business need, is affordable, achievable, with appropriate options explored and likely to achieve value for money
- ▶ Confirm that appropriate expert advice has been obtained as necessary to identify and/or analyse potential options
- ▶ Establish that the feasibility study has been completed satisfactorily and that there is a preferred way forward, developed in dialogue with the market where appropriate
- ▶ Confirm that the market's likely interest has been considered

- ▶ Ensure that there is internal and external authority, if required, and support for the project.
- ▶ Ensure that the major risks have been identified and outline risk management plans have been developed
- ▶ Establish that the project is likely to deliver its business goals and that it supports wider business change, where applicable
- ▶ Confirm that the scope and requirements specifications are realistic, clear and unambiguous
- ▶ Ensure that the full scale, intended outcomes, timescales and impact of relevant external issues have been considered
- ▶ Ensure that the desired benefits have been clearly identified at a high level, together with measures of success and a measurement approach
- ▶ Ensure that there are plans for the next stage
- ▶ Confirm planning assumptions and that the Project Team can deliver the next stage
- ▶ Confirm that overarching and internal business and technical strategies have been taken into account
- ▶ Establish that quality plans for the project and its deliverables are in place
- ▶ Confirm that the project is still aligned with the objectives and deliverables of the project and/or the organisational business strategy to which it contributes, if appropriate.

APPENDIX B – List of Interviewees

Name	Role/Position
John Hazeldine	Chief Advisor, DHB Funding and Planning, MOH
Michael Hundleby	Director, Critical Projects, MOH
Kieran Reilly	Senior Project Manager, MOH
Mhairi McHugh	Manager, Capital & Operating, MOH
Davin Hall	Senior Analyst, Treasury
Lisa King	Major Monitor, Treasury
David Moore	Sapere
Matthew Holmes	Jacobs
Cath Lewin	Johnstaff
Chris Fleming	CEO, Southern DHB
David Perez	Chair, Clinical Leadership Group, Southern DHB
San Ting Gilmartin	Programme Manager, Infrastructure & Hospital Rebuild, Southern DHB
Kathy Grant	Commissioner, Southern DHB
Nigel Millar	CMO, Southern DHB
Andrew Blair	Chair, Southern Partnership Group
Margaret Wilsher	Southern Partnership Group
Andrew Connolly	Southern Partnership Group
Tony Lanigan	Southern Partnership Group
Richard Thomson	Southern Partnership Group
Liz Disney	Acting Executive Director, Planning & Funding, Southern DHB
Clive Smith	CFO, Southern DHB
Peter Crampton	Pro-Vice-Chancellor, Division of Health Sciences, Dean, Otago; Medical School: Did not Attend
Leanne Samuel	Executive Director Nursing & Midwifery, Southern DHB: Did not Attend

APPENDIX C – List of Documents Reviewed

Document Title	Version and/or Date
Terms of Reference	4 Nov 2015
Register of Interests	21 December 2016
Communications Plan	Final – December 2016
Project Governance Diagram	May 2017
2017 SPG Meeting Schedule	April 2017
SPG Papers	Feb, March, April 2017
SPG Minutes	December 2016, Feb, March (draft) 2017
Sapere Progress Reports	Feb, March, April 2017
Consortium Project Status Reports	Feb, March, April 2017
MOH Progress Reports	Feb, March, April 2017
SPG Work Plan	Draft - May 2017
Quarterly Reports to Minister	September, December 2016, February 2017
H20170320 – Update on the Redevelopment of Dunedin Hospital	March 2017
Strategic Assessment	19 July 2016
DSP Part A	Final - 22 June 2016
DSP Part B	Final - 9 December 2016
Short List Options (Consortium)	February 2017
Ward Block Re-lifing (Proj-x)	April 2017
Short form economic case (Sapere)	April 2017
Models of Care Summaries	Draft April 2017
Draft IBC	Draft - 8 May 2017
Financial Case	Draft 11 May 2017
IBC letter from Minister of Health to Chair	14 September 2016
SDHB Building Conditions Report – Dunedin Campus (Beca)	February 2017
SDHB Building Conditions Report – Wakari Campus (Beca)	February 2017
Letter - Building Condition Report for Dunedin and Wakari Sites	February 2017
Preliminary Flood Tsunami and Geotechnical Assessment -	November 2016

Document Title	Version and/or Date
Utilisation of Beds Study (Warren & Mahoney)	6 September 2016
Patient Journey Summary Report (Sapere)	Final – 28 September 2016
Gantt Chart IBC	29 March 2017
Project Brief IBC Phase	Final Approved SPG 28 June 2016
Project Brief DBC Phase	Draft April 2017
Seismic Report – Dunedin Boilerhouse (Hanlon & Partners Ltd)	Final – 15 August 2012
Seismic Report – Ward Block (Other Seismic Reports available)	Final – 21 November 2011
SPG Gateway Note	22 Feb 2017
SDHB FRE Terms of Reference	Final 11 November
CLG Terms of Reference	October 2016
Dunedin Hospital IBC Clinic Feedback	15 May 2017
Combined Partnership Group meeting agenda	8 May 2017
Dunedin Hospital Redevelopment Gateway 1 – Presentation	12 May 2017
Gateway Review 0 – ID1202 Report	June 2016

APPENDIX D – Sample Action Plan

This Appendix to the Gateway Report is intended to be able to be distributed as a stand-alone document detailing the Senior Responsible Officer’s Action Plan to address the recommendations in this report.

Context

[SRO to include context as applicable for the intended audience, eg by pasting section 0 of this report here].

Recommendations and Action Plan

The Gateway Review Team made the recommendations in the table below, prioritised using the following definitions. The Senior Responsible Officer’s plan to address these recommendations is also included in the table below.

- ▶ **Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the project should take action immediately.
- ▶ **Essential (Do By)** – To increase the likelihood of a successful outcome the project should take action in the near future.
- ▶ **Consider (Good Practice)** – The project should benefit from the uptake of this recommendation.

Ref.	Recommendation	Priority	Action Plan	Status
R1.	Undertake the Strategic Model of Care for Southern DHB with urgency to inform a clinical services profile for Dunedin Hospital. Critical	Commence Now		
R2.	Ensure a process is developed, documented and endorsed that details how the Strategic Model of Care and the clinical services profile will be developed and utilised to inform the requirement for the final design of the Dunedin Hospital.	Do By: 1/8/17		
R3.	Ensure that the final version of the Indicative Business Case incorporates central agency clinic feedback and recommendations of Gateway Review 1, and develop a feedback document	Do Now		

	showing consideration of the recommendations, if accepted and identifies any consequent changes made in the Indicative Business Case.		
R4.	Document in the Indicative Business Case any items that will be deferred into the Detailed Business Case Phase and explain the rationale.	Do Now	
R5.	Implement a structured team building exercise to ensure that the next stage of the Project and the delivery of the Detailed Business Case occur in a more collaborative manner consistent with a partnership approach.	Do By 1/10/17	
R6.	Document the assumptions used in the Finance Case and clarify any items/services that have been excluded.	Do Now	
R7.	Consideration should be given to the risk of “locking in” a budget at this IBC stage and ensure that the Lower bound level is low enough to ensure that proposed efficiencies that could be found through the Strategic Model Of Care process will subsequently translate into a lower GFA are factored within any figure.	Do Now	
R8.	Investigate, document and approve a hospital facilities and infrastructure status document which addresses the condition, risk and mitigation costs relating to the existing hospital and the timeframe for replacement.	Do Now	
R9.	Develop a Stakeholder Engagement and Communications Plan to a standard commensurate with a Project of this complexity, scale and risk.	Do By 1/11/17	
R10.	Recommendation 10: Review the Investment Logic Map and update as necessary to ensure it reflects the current Project.	Do Now	
R11.	Develop and implement a comprehensive Risk Management Plan consistent with a project of this scale, complexity and risk.	Do By 1/11/17	
R12.	Review the completeness of the Risk Register to ensure it captures the current risks and implement a process for updating it in accordance with the Risk Management Plan.	Do By 1/9/17	
R13.	Develop a Project Plan that encompasses both the deliverables for the Detailed Business Case and the ongoing management of the Project.	Do by 1/10/1	
R14.	Review the Project Management functions on the project to ensure adequate project management resources for all parties.	Do Now	
R15.	Review the Terms of Reference for the SPG, document outcomes and seek endorsement from both the SPG and Southern DHB and ultimately the Ministers.	Do By 1/8/17	

R16.	Review the Project Resource Plan, to establish adequate delivery expertise and consider the need for a fulltime Project Director.	Do By 1/9/17		
R17.	Southern DHB to identify the quantum of change required as identified in the Strategic Model of Care and develop a Change Management Plan identifying the resources, processes and duration to implement these changes.	Do By: 1/2/18		